

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 2047 - HB 1981

March 10, 2009

SUMMARY OF BILL: Authorizes the Tennessee Local Development Authority (Authority) to charge and collect administrative fees and expenses to cover the costs of financing programs under the Wastewater Facilities Act of 1987 and the Drinking Water Revolving Loan Fund Act of 1997.

ESTIMATED FISCAL IMPACT:

On March 9, 2009, we issued a fiscal note indicating *an increase in state revenue of \$71,400/FY09-10 and \$127,400/FY10-11, an increase in local expenditures of \$71,400/FY09-10 and \$127,400/FY10-11, and an other fiscal impact stating the increase in state revenue and local expenditures is expected to continue to increase each fiscal year as the Authority's funds continue to grow. The increase for FY11-12 and subsequent years cannot be calculated at this time because the variables will change each year. However, the increase in FY11-12 is not expected to be as high because the amount for FY10-11 includes stimulus funds from the American Recovery and Reinvestment Act of 2009.* Based on additional information received from the Comptroller, the fiscal impact of the bill is estimated as follows:

(CORRECTED)

**Increase State Revenue – \$71,400/FY09-10/
Tennessee Local Development Authority Fund
\$127,400/FY10-11/
Tennessee Local Development Authority Fund**

**Increase Local Expenditures – \$71,400/FY09-10*
\$127,400/FY10-11***

Other Fiscal Impact – The increase in state revenue and local expenditures is expected to continue to increase each fiscal year as the Authority's funds continue to grow. The increase for FY11-12 and subsequent years cannot be calculated at this time because the variables will change each year. However, the increase in FY11-12 is not expected to be as high because the amount for FY10-11 includes stimulus funds from the American Recovery and Reinvestment Act of 2009.

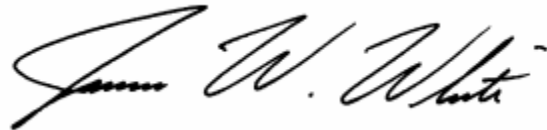
Assumptions:

- According to the Comptroller, fees will be charged to new borrowers and will not be assessed retroactively to current borrowers.
- Fees are estimated to be \$71,400 in FY09-10 and \$127,400 in FY10-11. State revenue will increase and local expenditures will increase equal to the fee amounts. State revenue is dedicated to the Tennessee Local Development Authority Fund.
- In past years administrative expenses have been paid from interest earnings from Authority bonds accumulated over time. These funds are now being allocated to the state General Fund. Under this legislation, administrative costs such as salaries, benefits, accounting charges, printing, and communications will be paid for by the fees assessed to local governments.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/kmc